

## **CEAOB Market Monitoring Sub-group**

### **Terms of Reference and Work Plan 2016/2017**

#### **1. Introduction**

According to rule 13(4) of the Committee of European Auditing Oversight Bodies (CEAOB) rules of procedure, each CEOB sub-group should prepare an annual work plan.

This document supplements the CEOB rules of procedure, which state that the sub-groups shall operate according to their own terms of reference, which shall be in line with the CEOB rules of procedure and subject to the CEOB's approval. The document has been drafted by the CEOB Market Monitoring sub-group (hereafter "the sub-group") and adopted by the CEOB plenary meeting on 25 November 2016. It contains the Terms of reference (section 2) and the Work plan (section 3).

#### **2. Terms of reference**

##### **2.1 Legal basis**

To carry out the tasks referred to in paragraph 2 of Article 27 of the Regulation 537/2014.

##### **2.2 Mandate**

The purpose of the sub-group is to facilitate the monitoring of the quality and competition of the market for providing statutory audit services to public-interest entities, relating to assisting the Commission in preparing joint reports. The sub-group will contribute to the convergence and coordination of the monitoring carried out by national authorities.

Article 27 of the Regulation requires that a report be drawn up at least every three years. The activities of the sub group are therefore determined by the length of the reporting cycle in light of the frequency of the Commission's joint report.

The sub-group will report back to the CEOB plenary and will input into its annual report.

##### **2.3 Composition**

The composition of the sub-group is published on the CEOB website.

##### **Chair**

The Chair of the sub-group is a representative of one of the competent authorities, appointed by the members of the CEOB for a fixed term of four years. Exceptionally, the Chair may be removed by a decision of the members of the CEOB.

##### **Members**

All organisations that are represented by a member at the CEOB, are entitled to be a member of the sub-group, including ESMA. Members may appoint a representative of their organisation to participate in the sub-group according to their level of expertise.

## **Observers**

EBA and EIOPA are invited to participate in the sub-group meetings as observers. European Economic Area (EEA) authorities' representatives may be invited to participate, subject to the approval of the CEAOB members.

## **CEAOB Chair and Vice Chair**

The CEAOB Chair and Vice-Chair (or appropriate Vice-Chair representative from the European Commission) will be invited to join each meeting and to contribute to the work of the sub-group.

## **2.4 Working arrangements**

In light of the above, the members of the sub-group hereby agree to the following terms:

### **Coordination and organisation**

The Chair will organise the meetings, chair the meetings, prepare agenda and minutes, coordinate the work and prepare an annual work plan.

Members of the sub-group may suggest topics for the agenda, for the Chair to consider their inclusion where possible.

### **Market Monitoring sub-group meetings**

The frequency of meetings will be determined on the cycle of work, at a minimum two to three calls every year will be organised. If required, in-person meetings of the sub-group will be organised, subject to preferences of sub-group members, hosted voluntarily by a member of the CEAOB or the Commission.

### **Confidentiality**

The confidentiality rules applicable within the CEAOB are also applicable within this sub-group, (including those referred to in Rule 16 of the CEAOB's rules of procedure).

### **Decision making arrangements**

The Chair shall aim to seek consensus on all topics put forward for approval to the members of the sub-group. If matters for approval cannot be decided by consensus, decisions shall be taken by vote during sub-group meetings, by a simple majority of the sub-group members with voting rights in the CEAOB. Each of those members of the sub-group has one vote. ESMA, the CEAOB Chair, the CEAOB Vice-Chair and the observers do not have voting rights.

Decisions may also be taken by written procedure. Rule 12 of the CEAOB's rules of procedure shall apply *mutatis mutandis*.

### **Reporting to CEAOB**

The Chair will report on the sub-group's activities on a regular basis.

**External communications**

Any external communications including press notices will be drafted by the Chair for approval by the Market Monitoring sub-group. Press notices will be sent to the CEAOB secretariat for inclusion on the CEAOB website.

The sub-group shall not issue any CEAOB view or position without due approval from the CEAOB membership.

### 3. Work plan

The recurring activities of the sub-group will encompass:

- Discussing and sharing of views and experiences to assist in reassessment of market monitoring indicators in order:
  - to remediate data issues arising in first market monitoring report
  - to achieve consistency in data across member states
  - to ensure comparability and ease of aggregation of data
- Liaising with the Commission on report production
- Contribute to CEAOB report

In anticipation of the next market monitoring report the sub-group intends to prioritise for 2017 the refinement of market monitoring indicators and the data reporting template. The table below sets out the proposed timings for specific CEAOB Market Monitoring sub-group work steps in 2017.

	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
<b>Set up</b>					
Finalise terms of reference and work plan for presentation to CEAOB					
Provide assistance to the Commission in finalisation of first market monitoring report.					
<b>Work steps for 2017</b>					
Revisit indicators to assess (i) market concentration; (ii) risks to audit quality and (iii) performance of audit committees on the basis of the new rules.					
Provision of guidance to ensure data collated for future reports is accurate, consistent and easily aggregated.					
Provision of assistance to competent authorities in collation of market monitoring report data.					
<b>Other matters</b>					
Input into annual CEAOB report					